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Message Text

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ACTION EUR-25

INFO OCT-01 ARA-16 EA-11 ISO-00 AID-20 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 DODE-00

PM-07 H-03 L-03 NSC-07 PA-04 PRS-01 SS-20 USIA-15

SR-02 ORM-03 ACDA-19 MC-02 EURE-00 DRC-01 /216 W
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P R 251653Z MAR 74
FM AMEMBASSY LONDON
TO SECSTATE WASHDC PRIORITY 8987
INFO AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY MADRID
AMEMBASSY OSLO
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY SANTIAGO
AMEMBASSY STOCKHOLM
AMEMBASSY THE HAGUE
AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 03743

DEPARTMENT PASS TREASURY

E.O. 11652: N/A
TAGS: PFOR, EAID, MASS, UK, CI
SUBJECT: LABOR GOVERNMENT POLICY TOWARDS CHILE

REF: LONDON 3044

BEGIN SUMMARY: WE WERE BRIEFED MARCH 25 BY FCO, AT ITS
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INSTANCE, ABOUT STATEMENT ON NEW GOVERNMENT'S POLICY

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TOWARDS CHILE WHICH WILL BE MADE DURING QUESTION TIME IN COMMONS ON MARCH 27. ASSISTANT LATIN AMERICA DEPARTMENT HEAD FULLERTON TOLD US THAT FCO HAD WORKED UP A COMPROMISE BETWEEN ANTI-REGIME COMMITMENTS MADE BY LABOR BEFORE COMING INTO OFFICE AND A MORE HARD-HEADED ASSESSMENT OF BRITISH INTERESTS. IN ESSENCE, THE LABOR GOVERNMENT WILL BAN FUTURE MILITARY SALES AND SEVERELY CURTAIL AID, BUT WILL MEET EXISTING BRITISH MILITARY SALES COMMITMENTS. IT WILL CONTINUE TO SUPPORT THE PARIS CLUB AGREEMENT. END SUMMARY.

1. FULLERTON SAID THAT BRITISH WANTED US TO HAVE ADVANCE KNOWLEDGE OF UPCOMING POLICY STATEMENT. FOREIGN OFFICE HAD BEEN ENGAGED FOR PAST SEVERAL WEEKS IN TRYING TO NEGOTIATE A COMPROMISE BETWEEN LABOR GOVERNMENT'S PRE-ELECTION COMMITMENT TO FOLLOW A FAIRLY HARSH POLICY TOWARDS PRESENT GOVERNMENT OF CHILE AND OTHER CONSIDERATIONS OF BRITISH INTERESTS. THIS STAGE HAD NOW BEEN CONCLUDED AND MARCH 27 ANNOUNCEMENT IN COMMONS WOULD INCLUDE THE FOLLOWING:

(A) ARMS SALES. NO APPROVAL WILL BE GIVEN FOR FUTURE ARMS OR MILITARY EQUIPMENT SALES. HOWEVER, BRITISH WILL MEET THEIR EXISTING COMMITMENTS TO DELIVER TWO DESTROYERS AND TWO FRIGATES AND TO REFIT ONE DESTROYER FOR CHILEAN NAVY. HMG WILL ALSO SELL SUPPLIES AND REPLACEMENT PARTS NEEDED TO OPERATE EQUIPMENT ALREADY DELIVERED OR ON ORDER, INCLUDING THOSE FOR HAWKER HUNTERS DELIVERED JUST AFTER CHRISTMAS.

(B) FOREIGN AID. AID WILL BE "RESTRICTED" (THIS IS A DELIBERATELY AMBIGUOUS PHRASE). THE REMAINING 60,000 POUNDS STERLING TRANCHE OF A L969 LOAN FOR A STEEL PLANT WILL BE PAID. THERE WILL BE SOME CUTBACKS IN THE PRESENT TECHNICAL ASSISTANCE PROGRAM ESTIMATED AT ABOUT 400,000 POUNDS STERLING PER YEAR. THAT PART USED FOR STUDENT TRAINING (SOMETHING UNDER ONE HALF OF THE PROGRAM) WILL BE KEPT MORE OR LESS INTACT. THE REMAINDER WILL PROBABLY BE CUT, ALTHOUGH THE FCO HOPES TO BE ABLE TO SAVE AID FOR SOME DEVELOPMENT PROJECTS.
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(C) DIPLOMATIC RELATIONS WILL BE UNAFFECTED.

(D) REFUGEES. THE BRITISH WILL ADOPT A MORE FLEXIBLE POLICY ON CHILEAN REFUGEES - THEY HAVE SO FAR GRANTED REFUGEE STATUS TO 101, REFUSED 22 AND 44 CHILEANS ARE WAITING FOR A DECISION TO BE MADE ON THEIR CASES. FULLERTON THOUGHT THAT THE BULK OF THESE WOULD BE PER-MITTED TO REMAIN IN THE UK. THERE WILL BE NO CHANGE IN
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UK POLICY RE ASYLUM IN THE BRITISH SANTIAGO EMBASSY.

(E) CHILE DEBT. BRITISH WILL NOT CHANGE THEIR SUPPORT FOR THE PARIS CLUB AGREEMENT.

2. COMMENT: THE FCO AND OTHER MINISTRIES INVOLVED WERE UNDERSTANDABLY CONCERNED THAT THE NEW GOVERNMENT'S POLICY MIGHT INVOLVE THE POSSIBILITY OF LOSING AN ESTIMATED 50 MILLION POUNDS STERLING ON THE SALE OF NAVAL VESSELS TO CHILE AND THERE WAS GENERAL OFFICIAL UNEASE AT THE PROSPECT OF HAVING TO ADOPT AN ANTAGONISTIC POLICY AS A RESULT OF STRONG LABOR PARTY ANTIPATHY TO THE PRESENT REGIME. WORKING LEVEL OFFICIALS ARE NOW REASONABLY SATISFIED THAT THE WORST HAS BEEN AVOIDED. APART FROM MILITARY SALES, BRITISH APPRECIATE THAT THEIR AID PROGRAM IS SO SMALL THAT THE SIGNIFICANCE OF ANY POLICY CHANGE IS PRINCIPALLY POLITICAL. THEY UNDERSTAND THE CHILEANS WILL BE UNHAPPY WITH THE NEW GOVERNMENT'S POLICY, BUT HOPE THEY WILL RECOGNIZE THAT IT COULD ALSO HAVE BEEN CONSIDERABLY LESS FAVORABLE. OFFICIALS HOPE THAT CHILEAN REACTION WILL BE REALISTIC AND MODERATE. THIS WOULD PERMIT ANGLO-CHILEAN RELATIONS TO BE PUT ON A BACK BURNER FOR THE TIME BEING.

3. ABOVE SHOULD BE PROTECTED UNTIL HMG POLICY IS MADE PUBLIC.

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